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SUBJECT: MACEDONIA: PROGRESS PROSECUTING CORRUPTION CASES

REF: A. 06 SKOPJE 1144

SUMMARY

1. (SBU) In recent months, Macedonia's justice system has convicted defendants on corruption-related charges in four separate, unrelated court cases. Several former government officials were among those convicted. Encouragingly, the courts demonstrated improved efficiency in these cases (in part due to Department of Justice provided training and assistance), and the convictions included persons associated with both the ruling party and opposition parties.

2. (SBU) The justice system's next test will be the impending trial of former Export Import Bank Director Metodija Smilenski, who was connected to the Socialist Party which is now a member of the coalition government. Smilenski is accused of defrauding the National Bank of Macedonia of over 45 million euros in 2004 (reftel), and was extradited to Macedonia June 14 from Serbia, where he had fled to avoid criminal charges. Now that the GOM has Smilenski in custody, the justice system will need to demonstrate it can prosecute a "big fish" as efficiently as it has prosecuted less well-connected defendants. End Summary.

Fictitious Sheep And Prime Real Estate

3. (U) In a court case that received major media attention in Macedonia, on April 12 a court convicted 11 defendants for participation in a scheme to defraud the government and a subsequent illegal real estate deal. During the 2001 conflict, an ethnic Albanian shepherd, Isnifaris Xhemaili, falsely claimed that the Macedonian army had accidentally killed his flock of sheep. In 2004, he received 720,000 euros from the GOM as compensation, resulting from a questionable court judgment.

4. (U) Xhemaili and his associates used the money he received from the GOM to buy government-owned real estate in Skopje in a sweetheart deal. The ownership of some of the property, which had been nationalized decades ago by the government of Yugoslavia, was under dispute at the time of the purchase. Individuals contesting the deal claimed their families had owned the property at the time it was nationalized. Xhemaili's purchase of the property nevertheless went forward after the Deputy Minister of Economy at the time, Sasha Andonovski, ruled that there was no merit to the families' ownership claims.

5. (SBU) The judge in this case, known as the "sheepfold case,"

efficiently managed a large, complex trial that swiftly resulted in convictions of 11 defendants. Andonovski and the director of the government real estate records office in Skopje both received three-year prison sentences. Xhemaili received a 4.5 year prison sentence, and a notary who had directed the entire scheme received a relatively stiff 14-year sentence. The defendants' assets also were seized, which has not often been the case in the past.

Ex-Customs Director Sentenced In Absentia

¶6. (SBU) On May 17, a Macedonian court convicted the former Director General of the Customs Administration, Dragan Daravelski, in absentia, for abuse of official position and embezzlement. The court handed down a seven year prison sentence to Daravelski, who was DG of Customs from 1998 to 2002 under the VMRO-DPMNE led government, and a 4.5 year sentence to the former Customs Financial Manager. The court also ordered the two to return 1.7 million euros to the GOM. Unfortunately, Daravelski will likely not serve any prison time; he currently lives in Serbia and cannot be extradited because he acquired Serbian citizenship under suspicious circumstances after completing his tenure at the Customs Administration.

Ex-Executives Of A State Owned Company Sentenced

¶7. (U) Vlado Sugareski, the former Director of the government owned power company REK Bitola, and Vlatko Kocinski, the former Commercial Director of the enterprise, were convicted on May 8 of abuse of authority and bribery. The two former executives, both of whom were associated with the VMRO-DPMNE ruling party, had written and approved fraudulent procurement contracts from which they received kickbacks. Sugareski, a former VMRO-DPMNE member of parliament, received a 4.5 year prison sentence, Kocinski received a 2.5 year sentence, and the owner of the private company involved in the

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scheme received a 1.5 year sentence.

Border Police Convicted Of Accepting Bribes

¶8. (U) On May 23, 13 border police officers were convicted of accepting bribes and abuse of official position. The police officers received prison sentences ranging from six months to 2.5 years. The Ministry of Interior's (MOI) Organized Crime Department developed evidence against the police officers following an internal investigation.

A "Big Fish" Returns To Macedonia

¶9. (SBU) On June 14, Metodija Smilenski, the defendant in one of the largest outstanding corruption cases returned to Macedonia. As with Daravelski, Smilenski had sought Serbian citizenship to avoid extradition to Macedonia. He failed to receive Serbian citizenship, and Serbia extradited him to Macedonia. Smilenski, along with the former National Bank Governor Ljube Trpeski, was charged with embezzling over 45 million euros while he was Director of the Export Import Bank in Macedonia. Smilenski was involved in several shady deals between 1993 and 2004, and the Macedonian media has speculated that, if he agrees to testify, he could provide evidence of crimes committed by some of Macedonia's political and business elite. Both Smilenski and Trpeski were affiliated with the Socialist Party, which is now a member of Macedonia's coalition government.

DOJ Assistance Shows Results

¶10. (SBU) Mission's OPDAT and ICITAP programs have provided training to many prosecutors and judges (OPDAT), and police (ICITAP). Most of the judges and prosecutors involved in the cases mentioned above received OPDAT training. Most notably, the judge in the "sheepfold" case, a recipient of OPDAT training, ran a remarkably efficient trial, especially given the case's complexity and the number of defendants. Mission's ICITAP program has worked closely with police Organized Crime Department, which successfully investigated the corrupt border police.

Comment: A Positive, Non-Partisan, Start

¶11. (SBU) The recent convictions demonstrate that the judicial system has made progress in prosecuting relatively complex corruption cases. It is also a positive sign that among those convicted there were members of the current ruling party, VMRO-DPMNE, when it was in power from 1998-2002 (Daravelski, Sugareski, and Kocinski), as well as members of the current opposition parties (including Andonovski, who was a member of SDSM). Now the judicial system needs to demonstrate it can also prosecute Smilenski and Trpeski in an efficient, non-partisan manner, no matter who may eventually be implicated.

MILOVANOVIC